



Seattle City Employees' Retirement System

Spring 2005 Newsletter

New Retirement Planning Tools Available

The Retirement Office is pleased to debut four new tools designed to help active and retired members plan and manage their retirements. These new tools, or calculators, are available online, and several can be downloaded onto personal computers.

Members will be able to enter information into the calculators and see for themselves how factors such as their planned date of retirement and amount of service credit may change their benefits. Employees can use these tools to take control of their retirement planning and understand their benefit options. This newsletter describes the purpose of the four calculators, provides detailed instructions as to their use, and explains the implications of the results the calculators provide. The calculators are designed to offer answers to many common questions members have about their retirement options and benefits. The calculators are summarized in the box below and explained in detail inside this newsletter.

You can find the new calculators at the Retirement Office website:
www.seattle.gov/retirement

The Benefit Calculator

- calculates each member's potential retirement benefit using information entered online
- allows members to compare their different retirement options
- shows how benefit choices can affect beneficiaries

The Actuarial Cost Calculator

- uses the information members input to calculate the cost of purchasing certain service time
- explains why some actuarial buybacks seem to be expensive
- estimates the potential benefits and costs of buybacks

The Vesting Estimate Calculator

- lets employees leaving City employment see what might happen if they choose to vest
- shows two alternate ways in which benefits can be calculated
- exhibits how retirement dates can affect benefits

The Retirement Income and Expense Calculator

- helps employees and retirees compare their projected retirement expenses to their income
- displays this comparison as an easy to understand bar graph
- works as a versatile retirement planning tool



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Seattle City Employees' Benefit Calculator

The Benefit Calculator allows members to assess the benefits they may receive under each of the City Employees' Retirement Options. It does not guarantee benefits, but uses each member's data as a basis for estimating likely individual retirement benefit amounts. In comparison to the general charts offered in the past, this calculator is a more precise measurement of projected employee benefits. However, its accuracy depends on the accuracy of the information each user inputs. This calculator is only available online; employees can return to the Retirement Office website and access the information they have previously entered at any time.

The results page displays total service time, total contributions, an average of the highest pay rate over a consecutive 24 month period, estimated Social Security benefit and, most importantly, a comparison between the different retirement options. These comparisons are based on the information entered by each employee and are not a guarantee of benefits. For an explanation of each option, employees should consult the handbook, which is available online, in addition to the online Frequently Asked Questions (FAQs), which contain information on the pros and cons of each type of benefit.

At the bottom of the results page, members can choose to see a chart which displays all possible combinations of benefits. Alternately, they can choose "do another estimate" to enter different information and see how this changes their projected benefits.

How to Use the Seattle City Employees' Benefit Calculator

1. Login to the Benefit Calculator using your City Employee Number and the last four digits of your Social Security Number. If you are using a private computer, you can select "remember me" and, when you visit the page again, the benefit calculator will automatically load the information that you have previously entered.
2. Enter your full name.
3. Enter your date of birth in full numerical format: March 17, 1983 = 03/17/1983
4. Enter your membership date. This is the day upon which you began paying into the Retirement System. For employees hired from 1988 to 1998, this will be approximately six months after their first day of work. For employees hired prior to 1988 and after 1998, this will be a date near to their first day of work. For temporary employees, the membership date may be entirely different. To find your membership date, look on your annual SCERS member statement.
5. Enter your separation date. This is your projected last day of employment with the City.
6. Enter your retirement date. This is the day upon which you plan to retire. If you retire from active employment, this will be the same date as your separation date.
7. Enter the date of birth of your spouse or qualified domestic partner.
8. The Services Adjustment section allows you to indicate time you have purchased or time when you were not employed nor receiving City service credit. Without any changes, the calculator assumes that there have been no breaks in service since your membership date.

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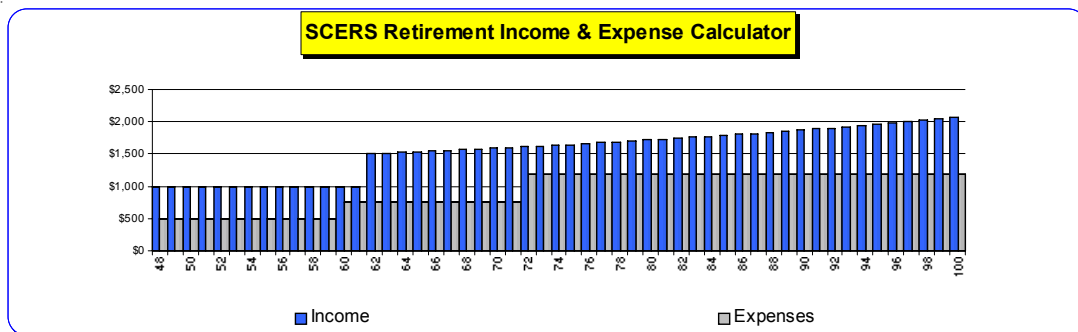
Retirement Income and Expense Calculator

The Retirement Income and Expense Calculator allows members to consider detailed plans for their retirement. The calculator compares expected retirement income to expected expenses and displays this comparison in graph form. The calculator can be used to determine whether the Seattle City Employees' Retirement System benefit, in combination with Social Security benefits and other retirement funds, will be sufficient to cover projected expenses. The calculator even lets members enter start and end dates for income or expense items which may only apply for a few years or which have different starting dates. The calculator displays results in today's dollars; however, there is also a field which allows members to play with different inflation rates in order to see how this might change their income and expenses.

How to Use the Income and Expense Calculator

1. Under the blue Retirement Income heading, enter your Seattle City Employees' Retirement System [SCERS] Benefit and the age at which you expect to begin drawing it. This benefit amount may be the number sent to you as an estimate from the Retirement Office or may be obtained using the SCERS Benefit Calculator. If you are considering choosing Option F, which is designed to keep retirement income level before and after you begin to receive Social Security benefits, remember that your City benefit amounts will change once you reach the age at which you become eligible to draw Social Security benefits.
2. Enter Social Security Benefits. These can be calculated easily at the Social Security Administration Website: www.SSA.gov.
3. Enter any expected income from deferred compensation annuities. The City has a voluntary deferred compensation plan that allows employees to save for their retirement in a fund that is tax-deferred until withdrawals are made. Information about individual accounts can be found through Prudential Retirement 1-800-833-5761, or www.prudential.com/online/retirement.
4. Enter your expected income from an IRA or other life annuity. Many members have funds in Roth or Traditional IRAs.
5. Enter any other retirement income.
6. Under the grey Retirement Income heading, enter your anticipated expenses such as mortgage, rent, utilities, and groceries in the appropriate box. These numbers will be unique to your situation. Other expenses may include college tuition, clothing, hobbies, travel or car payments. You should also remember to account for payments for health, car, life or property insurance. Alternately, this field can be used to designate a portion of funds as savings.

Sample Income and Expense Graph



As you enter in your projected income and expenses, the graph will change in response. You can use the bars on the graph to see years in which you may need to cut expenses or save extra income.



New Calculators on Website

Vesting Estimate Calculator

The Vesting Calculator is useful for employees who are leaving City employment after at least five years of service and are "vested" in the Retirement System. They are eligible to receive a benefit in the future, when they are old enough to retire. These employees can determine approximately what their benefits from the City would be upon retirement and decide whether leaving their money in the Retirement System is a good option for them.

Vesting: when former employees leave their funds with the City Retirement System until they are old enough to retire.

The Vesting Estimate Calculator demonstrates the two alternate ways in which member retirement benefits can be calculated. The first formula uses member age, average salary and years of service credit to determine benefit levels, while the second formula determines benefits in light of age, accumulated contributions with interest and employer contributions. Seattle City Employees receive benefits based on the formula that offers them the highest monthly benefit.

How to Use the Vesting Estimate Calculator

1. Enter your accumulated contributions with interest (ACWI). This can be obtained online through the employee self-service portal (<http://selfservice>) or from the annual statement the Retirement Office sends to all members.
2. Enter the date at which your accumulated contributions equal the amount entered above.
3. Enter your birthdate in full numerical format.
March 17, 1983 = 03/17/1983
4. Enter termination date. This is your last day of City employment.
5. Enter retirement date. This is the day upon which you wish to begin collecting retirement benefits. It must be later than the termination date entered previously.
6. Enter Contribution Rate. Most members contribute at the rate of 8.03%.
7. Enter hourly rate of pay. If you wish to retire more than two years from the current date, you should use your current rate of pay. If your retirement date is less than two years from the current date, your average wage over the past two years should be used. This calculator assumes full-time employment at 40 hours a week.
8. Enter estimated years of service credit in the form of a whole number. This is the number of years total you will work full time while paying into the Retirement System before your retirement date. This would include any years of service credit you have purchased.

Most members receive a benefit based on the first formula but, occasionally, the benefits of older employees who have worked longer than 30 years or whose employment began at an older age are calculated with the second formula.

Therefore, this calculator is also sometimes useful for current members who might retire in their mid 60's or older with over 30 years of City employment. Members might want to determine how extending their retirement or termination date could alter their benefits. Some individuals may decide that an increased retirement benefit is worth a few years of extra service. Others may determine that retiring earlier, even though this would result in a smaller benefit, will allow them to draw on their retirement funds for more years and enjoy more time as a retiree.

Moving?

Please make sure the Retirement Office is aware of your new address.



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How to Use the Seattle City Employees' Benefit Calculator (continued from previous page)

In the 'years or months lost' section, you could enter unpaid leave that does not count towards service time. In 'years or months added', you could indicate if you have bought back any time. For example, this could be time spent as a temporary employee before becoming a permanent employee, or time spent on eligible military leave and then purchased. For more details about buybacks of service credit, see the online Frequently Asked Questions (FAQs).

9. Enter your total contributions as of the current date. This number can be found through the self service portal located at the Seattle Inweb site (<http://selfservice>). If you do not know this number, you can leave this section blank. For most members' benefits, this number is not essential. Leaving this section blank

will only affect the accuracy of a few of the benefit options because they include payments based on employee contributions.

10. Enter your estimated monthly Social Security benefit. You can find an approximation of this number on the table provided, or you can use the calculators at www.SSA.gov to estimate your expected benefits.
11. In the Compensation Table you are asked to enter monthly pay for the 24 consecutive months in which you have had the highest salary. If your retirement date is at least two years away, use your current salary. The number of months indicated must add up to 24.

Actuarial Cost Calculator

Employees can buy back previously lost service time in certain instances. For more information about purchasing previous service time, read the BuyBack Information and Actuarial Cost Examples article within the online Frequently Asked Questions (FAQ). Some buybacks require the employee to pay the actuarial cost of his or her benefits, typically when the employee has missed other opportunities to purchase this time. The actuarial cost is, in today's dollars, the value of the benefits which employees are likely to receive from the purchased time. In other words, members must pay the difference between the benefits they would have received without purchasing service time and those they will receive after doing so.

The calculator shows the original benefit amount, which is the amount a member would receive each month without purchasing any service time. This can be compared to the new benefit amount, which would be the monthly benefit if the employee chooses to purchase the amount of service time he or she has indicated. The Actuarial Cost Calculator should be used by members who want to know the actuarial cost of purchasing previous service time. In some cases, the cost of purchasing certain previous service time may seem very high, but this calculator shows that the costs are aligned with the potential benefit to the member.

How to Use the Actuarial Cost Calculator

1. Enter your birthdate in full numerical format.
March 17, 1983 = 03/17/1983
2. Enter your years of current service. This is the number of years that you have paid or will pay into the Retirement System. This must be a whole number.
3. Enter the number of years of service you wish to purchase.
4. Enter your Average Monthly Salary. This figure is an average of your monthly salary over the twenty-four consecutive months in which you have received the highest salary. If your retirement date is more than two years from the current date, use your current salary.

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Seattle City Employees' Retirement System
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In this Issue

Are you leaving City employment and are you thinking about vesting your retirement contributions? Check out the **Vesting Calculator**. Also explained are the factors that determine your retirement benefits.

Do you want to know what your City retirement benefit might be? Use the online **Benefit Calculator** to enter your work and contribution history and get an estimate for each of the different options.

Are you interested in estimating your retirement cash flow? Our brand new **Retirement Income Calculator** lets you input your personal data and graphs a comparison of your income and expenses.

Are you considering the purchase of service credit? The **Actuarial Cost Calculator** helps you determine the potential costs and benefits of some types of buy backs.

Did you know? The City Retirement System currently serves over 10,000 Active Employees and nearly 5,000 Retired Members.

Contact the Retirement Office

We are located on the 3rd Floor at 801 3rd Avenue, right above the Seattle Metropolitan Credit Union. You can call us at (206) 386-1293 or email us at RetireCity@seattle.gov. Answers to most retirement questions are on our website: www.seattle.gov/retirement.

2005 SCERS Board of Administration

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Mr. Lou Walter, Employee Member
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The Board meets the first Thursday of every month.
Board minutes are available online.